

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and additional information)**

YEAR ENDED DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Oneida Charter Township | County Eaton |
| Audit Date 12/31/04 | Opinion Date 4/26/05 | Date Accountant Report Submitted to State: 7-12-05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|------------------------|------------------------|
| Certified Public Accountant (Firm Name) Maner, Costerisan & Ellis, P.C. | | | |
| Street Address 544 Cherbouq Drive, Suite 200 | | City Lansing | State MI |
| Accountant Signature <i>Maner, Costerisan & Ellis, P.C.</i> | | ZIP 48917 | Date 7-11-05 |

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INDEPENDENT AUDITORS' REPORT

Township Supervisor and
Members of the Township Board
Oneida Charter Township
County of Eaton, Michigan

April 26, 2005

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oneida Charter Township, County of Eaton, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oneida Charter Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oneida Charter Township, County of Eaton, Michigan as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* as of January 1, 2004.

Township Supervisor and
Members of the Township Board
Oneida Charter Township
County of Eaton, Michigan

April 26, 2005

The management's discussion and analysis budgetary comparison information on pages vi through xii and 20 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oneida Charter Township's basic financial statements. The additional information presented in pages 26 through 33 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Manu Costerisan, E. Ellis, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Oneida Charter Township (Township), we offer readers of the Oneida Charter Township's financial statements this narrative overview and analysis of the financial activities of Oneida Charter Township for the fiscal year ended December 31, 2004. In the future, comparative analysis will be provided when prior year information becomes available.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$886,000 dollars (net assets). Of this amount, \$402,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$151,000 dollars.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$428,000, a decrease of \$23,000 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$428,000, or 58 percent of total general fund expenditures.
- The Township's total debt decreased \$134,000. The key factor in this decrease was the paying down of debt based on the maturity schedules.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, economic development, and culture and recreation.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the non-major governmental fund is combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 through 18 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Township's general fund budget. Required supplementary information can be found on page 20 through 24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over times as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$886,000 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, drain usage rights, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Oneida Charter Township's Net Assets

| | Governmental activities |
|--|----------------------------|
| | 2004 |
| Current and other assets | \$ 871,373 |
| Capital assets | 1,147,512 |
| Total assets | 2,018,885 |
| Long-term liabilities outstanding | 591,919 |
| Other liabilities | 540,830 |
| Total liabilities | 1,132,749 |
| Net assets: | |
| Invested in capital assets, net of related debt | 484,623 |
| Unrestricted | 401,513 |
| Total net assets | \$ 886,136 |

The balance of unrestricted net assets (\$401,513 or 45 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in both categories of net assets, for the government as a whole.

The government's net assets increased by \$151,258 during the current fiscal year. The majority of this increase represents the degree in which increases in ongoing revenues have outpaced similar increases in ongoing expenditures.

Governmental activities. Governmental activities increased the Township's net assets by \$151,258. Key elements of this increase are as follows:

Oneida Charter Township's Changes in Net Assets

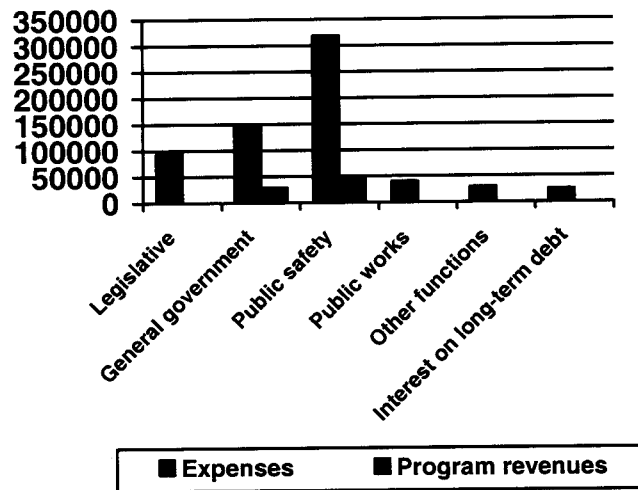
| | <u>Governmental activities</u> |
|--|------------------------------------|
| | <u>2004</u> |
| Revenues: | |
| Program revenues: | |
| Charges for services | \$ 72,818 |
| Property taxes | 423,392 |
| State revenue sharing | 245,427 |
| Interest | 5,415 |
| Miscellaneous | 56,958 |
| Total revenues | <u>804,010</u> |
| Expenses: | |
| Legislative | 93,832 |
| General government | 146,900 |
| Public safety | 318,391 |
| Public works | 40,009 |
| Other functions | 28,844 |
| Interest on long-term debt | 24,776 |
| Total expenses | <u>652,752</u> |
| Increase in net assets | 151,258 |
| Net assets, beginning of year as restated | <u>734,878</u> |
| Net assets, end of year | <u><u>\$ 886,136</u></u> |

- Property taxes revenue increased by \$14,914 (4 percent) during the year. Most of this increase is the product of an increase in property valuation and not an increase in millage.

- Overall government activities revenue is up \$65,494 from prior year. The State of Michigan cut its funding to the Township, which was offset by increased participation from citizens for programs put on by the Township as well as property taxes.
- Expenses for governmental activities went from \$660,045 to \$738,516, an increase of \$78,471. The increase is due mainly to the maintenance of cemetery grounds and re-negotiating a water and sewer contract with Grand Ledge.

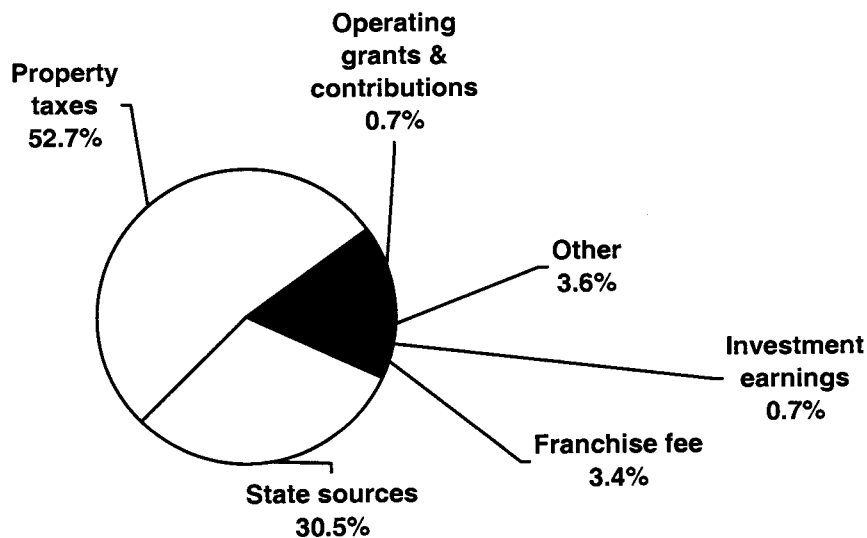
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

Total Revenues = \$804,010



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's general fund reported ending fund balance of \$428,195, an increase of \$65,494. This total constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The debt service fund paid off its 1989 special assessment bond relating to the M-43 sewer and water project.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$23,667 decrease in change in fund balance) and can be summarized as follows:

- Special assessment - one time charges for drain assessments was lower than expected
- Contracted services – highway and streets – additional graveling was done on Kenyon and Fess Road
- Property tax penalties was lower than expected

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of December 31, 2004, amounts to \$1,147,512 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and drain usage rights.

Major capital asset events during the current fiscal year included the following:

- Construction of the storage facility accompanying the new township hall.

Additional information on the Township's capital assets can be found in Note 4 on pages 15 through 16 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total long-term debt outstanding of \$662,889. The amount of \$435,975 of the Township's debt represents a mortgage payable for the new township hall. The remaining \$226,914 represents Eaton County Drain Assessments.

Additional information on the Township's long-term debt can be found in Note 6 on pages 16 through 17 of this report.

Factors Bearing on The Township's Future

These factors were taken into consideration when preparing the fiscal year 2005 budget.

Oneida Charter Township's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township has a conservative and financially prudent budget for the fiscal year 2005 that also promotes and funds numerous project objectives.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2005 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating a slow increase in interest rates.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Oneida Charter Township office, P.O. Box 37, Grand Ledge, Michigan, 48837.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

| ASSETS | <u>Governmental activities</u> |
|---|------------------------------------|
| CURRENT ASSETS: | |
| Cash | \$ 170,523 |
| Investments | 207,817 |
| Receivables: | |
| Taxes - current and delinquent | 172,212 |
| Special assessments | 3,297 |
| Operating | 12,202 |
| External party - Fiduciary Fund | 264,077 |
| Due from other governmental units | <u>41,245</u> |
| TOTAL CURRENT ASSETS | 871,373 |
| NONCURRENT ASSETS: | |
| Capital assets, net of accumulated depreciation | <u>1,147,512</u> |
| TOTAL ASSETS | <u>2,018,885</u> |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES: | |
| Accounts payable | 7,189 |
| Accrued interest | 26,632 |
| Deferred revenue | 436,039 |
| Current portion of long-term obligation | <u>70,970</u> |
| TOTAL CURRENT LIABILITIES | 540,830 |
| NONCURRENT LIABILITIES: | |
| Noncurrent portion of long-term obligations | <u>591,919</u> |
| TOTAL LIABILITIES | <u>1,132,749</u> |
| NET ASSETS: | |
| Invested in capital assets net of related debt | 484,623 |
| Unrestricted | <u>401,513</u> |
| TOTAL NET ASSETS | <u>\$ 886,136</u> |

See notes to financial statements.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004**

| Functions/programs | Program revenues | | | | Net (expense) revenue and changes in net assets |
|---|------------------|-------------------------|--|--|--|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | |
| Primary government: | | | | | |
| Taxes - current and delinquent | | | | | |
| Legislative | \$ 93,832 | \$ | \$ | \$ | \$ (93,832) |
| General government | 146,900 | 28,319 | | | (118,581) |
| Public safety | 318,391 | 44,499 | | | (273,892) |
| Public works | 40,009 | | | | (40,009) |
| Other functions | 28,844 | | | | (28,844) |
| Interest on long-term debt | 24,776 | | | | (24,776) |
| Total governmental activities | \$ 652,752 | \$ 72,818 | \$ | \$ | (579,934) |
| General revenues: | | | | | |
| Taxes | | | | | 423,392 |
| State revenue sharing | | | | | 245,427 |
| Interest and miscellaneous | | | | | 62,373 |
| Total general revenues | | | | | 731,192 |
| Changes in net assets | | | | | 151,258 |
| Net assets, beginning of year as restated | | | | | 734,878 |
| Net assets, end of year | | | | | \$ 886,136 |

See notes to financial statements.

ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

ASSETS

| | General | Other governmental funds | Total |
|-----------------------------------|-------------------|--------------------------------|-------------------|
| ASSETS: | | | |
| Cash | \$ 170,523 | \$ | \$ 170,523 |
| Investments | 207,817 | | 207,817 |
| Receivables: | | | |
| Taxes-current and delinquent | 172,212 | | 172,212 |
| Special assessments | 3,297 | | 3,297 |
| Operating | 12,202 | | 12,202 |
| Due from Fiduciary Fund | 264,077 | | 264,077 |
| Due from other governmental units | 41,245 | | 41,245 |
| TOTAL ASSETS | <u>\$ 871,373</u> | <u>\$</u> | <u>\$ 871,373</u> |

LIABILITIES AND FUND BALANCES

| | | | |
|----------------------------|-------------------|-----------|-------------------|
| LIABILITIES: | | | |
| Accounts payable | \$ 7,189 | \$ | \$ 7,189 |
| Deferred revenue | 436,039 | | 436,039 |
| TOTAL LIABILITIES | <u>443,228</u> | | <u>443,228</u> |
| FUND BALANCES: | | | |
| Unreserved, undesignated | 428,145 | | 428,145 |
| TOTAL FUND BALANCES | <u>\$ 871,373</u> | <u>\$</u> | <u>\$ 871,373</u> |

| | General | Other governmental funds | Total |
|--|----------------|--------------------------------|--------------------------|
| Total Governmental Fund Balances | | | \$ 428,145 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | | |
| Cost of the capital assets | \$ 1,298,004 | | |
| Less accumulated depreciation | <u>150,492</u> | | <u>1,147,512</u> |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: | | | |
| Other long-term debt | | | (662,889) |
| Accrued interest | | | <u>(26,632)</u> |
| Net assets of governmental activities | | | <u><u>\$ 886,136</u></u> |

See notes to financial statements.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004**

| | General | Other governmental fund | Total governmental funds |
|--|-------------------|-------------------------------|--------------------------------|
| REVENUE: | | | |
| Taxes | \$ 423,392 | \$ | \$ 423,392 |
| Licenses and permits | 20,679 | | 20,679 |
| State revenue sharing | 245,427 | | 245,427 |
| Charges for services | 52,139 | | 52,139 |
| Interest and miscellaneous | 62,373 | | 62,373 |
| | <u>804,010</u> | | <u>804,010</u> |
| Total revenues | | | |
| EXPENDITURES: | | | |
| Legislative | 93,832 | | 93,832 |
| General governmental | 123,071 | | 123,071 |
| Public safety | 318,391 | | 318,391 |
| Public works | 30,923 | | 30,923 |
| Other functions | 28,844 | | 28,844 |
| Debt service: | | | |
| Principal repayment | 48,545 | 85,942 | 134,487 |
| Interest expense | 27,798 | 2,325 | 30,123 |
| Capital outlay | 67,112 | | 67,112 |
| | <u>738,516</u> | <u>88,267</u> | <u>826,783</u> |
| Total expenditures | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 65,494 | (88,267) | (22,773) |
| FUND BALANCES: | | | |
| Beginning of year | 362,651 | 88,267 | 450,918 |
| End of year | <u>\$ 428,145</u> | <u>\$</u> | <u>\$ 428,145</u> |

See notes to financial statements.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds | \$ (22,773) |
| These costs are allocated over their estimated useful lives as depreciation: | |
| Depreciation expense | (32,915) |
| Capital outlay | 67,112 |
| Accrued interest on long-term debt is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid: | |
| Accrued interest payable beginning of the year | 31,979 |
| Accrued interest payable end of the year | (26,632) |
| Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities) | 134,487 |
| Changes in net assets of governmental activities | <u>\$ 151,258</u> |

ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004

| | <u>Agency fund</u> |
|--------------------------------|------------------------------------|
| | <u>Tax collection fund</u> |
| ASSETS | |
| Cash | \$ 1,979,274 |
| LIABILITIES | |
| Undistributed tax collections: | |
| Due to general fund | \$ 264,077 |
| Due to governmental units | 1,715,197 |
| TOTAL LIABILITIES | \$ 1,979,274 |

See notes to financial statements.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oneida Charter Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Oneida Charter Township include the accounts of all Township operations. The Township's major operations include planning and zoning, road maintenance, street lighting, cemetery, and general administrative services. The Township has no component units and is not a component unit of another government.

B. Adoption of New Accounting Standards

During the fiscal period 2004, the Township adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued June 1999; GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued June 2001, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. These statements require the Township to prepare a Management's Discussion and Analysis, government-wide financial statements on an accrual basis, and make certain changes to the footnotes.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Adoption of New Accounting Standards (Concluded)

The following table shows beginning net assets restated for the effects of implementation of GASB Statement No. 34:

| | |
|---|--------------------------|
| Fund balance at December 31, 2003 - governmental funds as previously reported | \$ 450,918 |
| Long-term liabilities | (797,376) |
| Net capital assets | 1,128,015 |
| Prior year construction in progress now included in net capital assets | (14,700) |
| Accrued interest | <u>(31,979)</u> |
| Restated net assets - January 1, 2004 | <u><u>\$ 734,878</u></u> |

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Debt service fund - The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt payable from a property tax debt levy.

Additionally, the government reports as fiduciary funds, the tax collection fund (agency fund).

The *agency fund* is utilized to account for the Township's collection of taxes for other governmental units.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities and Equity

1. Cash and Investments

Cash includes amounts in demand deposits. Short-term investments include instruments allowed by state statute subsequently described. Short-term investments are carried at cost or amortized cost.

For purposes of the statement of cash flows, the Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be considered cash and short-term investments.

State statutes authorize the Township to invest in bonds, securities and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Receivables

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (drain usage rights), are reported in the applicable governmental activity column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------|--------------|
| Building | 39 |
| Drain usage rights | 50 |
| Office equipment | 10-20 |
| Machinery equipment | 15 |
| Computer equipment | 3 |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

E. Assets, Liabilities and Equity (Concluded)

5. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

6. Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first regular Township Board meeting in October, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of a motion.
4. The Township Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Township Board at various times. Individual amendments were not material in relation to the original appropriation. All annual appropriations lapse at fiscal year-end.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CASH AND INVESTMENTS

Cash

Cash and investments are held separately by each of the Township's funds.

Deposits - At year-end, the carrying amount of the Township's deposits held in the statement of net assets was \$170,523 and the bank balance was \$181,779. Of the bank balance, \$181,679 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized. The cash carrying amount includes \$600 of deposits in transit and \$11,856 of outstanding checks.

At year-end, the carrying amount of the Township's deposits held in the fiduciary net assets was \$1,979,274 and the bank balance was \$1,161,464 of the bank balance, \$103,547 was covered by Federal Depository Insurance with the remaining balance uninsured and uncollateralized. The carrying amount includes \$824,195 of deposits in transit and \$6,385 of outstanding checks.

The financial presentation for the statement of net assets is as follows:

| | <u>Primary government</u> |
|-----------------------------------|-------------------------------|
| Statement of net assets | \$ 170,523 |
| Statement of fiduciary net assets | <u>1,979,274</u> |
| Total | <u><u>\$ 2,149,797</u></u> |

Other deposits - At year-end the carrying amount of the Township's deposits was \$207,817. This amount was uninsured and uncollateralized. The balance at December 31, 2004 included:

| | <u>Primary government</u> |
|--|-------------------------------|
| These amounts are reported as investments in the financial statements. | |
| Money market | <u><u>\$ 207,817</u></u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS

The capital assets for the year ended December 31, 2004 was as follows:

| | Balance December 31, 2003 | Additions | Reclassification/ deletions | Balance December 31, 2004 |
|--|---------------------------------|-----------|--------------------------------|---------------------------------|
| Primary government: | | | | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 75,483 | \$ | \$ | \$ 75,483 |
| Construction in progress | 14,700 | | 14,700 | |
| Total capital assets not being depreciated | 90,183 | | 14,700 | 75,483 |
| Capital assets, being depreciated: | | | | |
| Buildings | 635,419 | 60,460 | | 695,879 |
| Machinery and equipment | 7,198 | 1,478 | | 8,676 |
| Office equipment and furniture | 60,478 | 5,174 | 2,000 | 63,652 |
| Drain usage rights | 454,314 | | | 454,314 |
| Total capital assets, being depreciated | 1,157,409 | 67,112 | 2,000 | 1,222,521 |
| Less accumulated depreciation for: | | | | |
| Buildings | | 18,345 | | 18,345 |
| Machinery and equipment | 1,777 | 562 | | 2,339 |
| Office equipment and furniture | 17,124 | 4,922 | 2,000 | 20,046 |
| Drain usage rights | 100,676 | 9,086 | | 109,762 |
| Total accumulated depreciation | 119,577 | 32,915 | 2,000 | 150,492 |
| Total capital assets, being depreciated, net | 1,037,832 | 34,197 | | 1,072,029 |
| Total | \$ 1,128,015 | \$ 34,197 | \$ 14,700 | \$ 1,147,512 |

In 2004, the Township took a physical inventory of their fixed assets in anticipation of implementing GASB 34. Beginning balances increased by approximately \$11,000.

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions / programs of the primary government as follows:

| | |
|--|------------------|
| Governmental activities: | |
| General government | \$ 23,829 |
| Public works | <u>9,086</u> |
| Total depreciation expense - governmental activities | <u>\$ 32,915</u> |

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2004 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|-------------------|
| General | Fiduciary | <u>\$ 264,077</u> |

The purpose is to transfer funds from the tax collection fund to the general fund.

NOTE 6 - LONG TERM DEBT

Other long-term debt

The government issued installment notes to provide funds for the construction of a new township hall. The original amount issued in prior years was \$500,000. Installment notes outstanding at year end are as follows:

| <u>Purpose</u> | <u>Interest rate</u> | <u>Amount</u> |
|-------------------------|----------------------|-------------------|
| Governmental activities | 3.39% | <u>\$ 435,975</u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG TERM DEBT (Concluded)

The government is assessed for drains at large by Eaton County. The assessment covers the Township's share of installation and usage rights for the drains. General assessment outstanding at year end are as follows:

| <u>Purpose</u> | <u>Interest rate</u> | <u>Amount</u> |
|-------------------------|----------------------|-------------------|
| Governmental activities | 3.0%-13.5% | <u>\$ 226,914</u> |

The annual requirements to amortize all debt outstanding as of December 31, 2004 are as follows:

| <u>Year ended December 31</u> | <u>Installment notes</u> | | <u>General assessment</u> | |
|-----------------------------------|--------------------------|------------------|---------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2005 | \$ 44,970 | \$ 14,402 | \$ 26,000 | \$ 13,542 |
| 2006 | 46,507 | 12,864 | 26,000 | 12,014 |
| 2007 | 48,097 | 11,274 | 21,865 | 10,495 |
| 2008 | 49,741 | 9,630 | 21,865 | 9,183 |
| 2009 | 51,442 | 7,929 | 21,865 | 7,871 |
| 2010 - 2014 | 195,218 | 13,506 | 109,319 | 19,678 |
| | <u>\$ 435,975</u> | <u>\$ 69,605</u> | <u>\$ 226,914</u> | <u>\$ 72,783</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2004 was as follows:

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Due within one year</u> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligations | \$ 65,000 | \$ - | \$ 65,000 | \$ - | \$ - |
| Installment note payable | 479,460 | | 43,485 | 435,975 | 44,970 |
| Eaton County Drain assessments | 252,916 | | 26,002 | 226,914 | 26,000 |
| | <u>\$ 797,376</u> | <u>\$ -</u> | <u>\$ 134,487</u> | <u>\$ 662,889</u> | <u>\$ 70,970</u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - PROPERTY TAXES

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due without penalty prior to February 14. The Township bills and collects its own property taxes and also the taxes for the county, intermediate school district, community college and school districts. School District taxes are also collected and remitted to schools in July, August and September. Any taxes uncollected at September 14 are added to the winter tax roll. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing years revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The Township is permitted by state statute to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The Township levied \$.9148 per \$1,000 of assessed valuation for general government services. In addition, 2004 was the final year of 2.50 mills for public safety.

The voters approved an additional levy of two and one-half mills. This levy will be used to provide fire, emergency services, including maintaining and operating a fire department, fire hall and related equipment.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage for the year ended December 31, 2004 or any of the prior three years.

In prior years, the Township transferred certain fire equipment and the related debt to the Grand Ledge Emergency Fire Authority. The Township is responsible for the debt payments if the Fire Authority does not make the payments.

NOTE 9 - RELATED PARTY TRANSACTIONS

Oneida Township contracts with the Grand Ledge Area Emergency Fire Authority. Payments to the Authority in 2004 and 2003 amounted to approximately \$236,000 and \$267,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | Original Budget | Final Budget | Actual | Variance- favorable (unfavorable) |
|----------------------------------|--------------------|-------------------|-------------------|---|
| REVENUES: | | | | |
| Taxes: | | | | |
| Current property tax - general | \$ 105,636 | \$ 105,390 | \$ 105,390 | \$ |
| Taxes - public safety | 284,181 | 266,128 | 264,909 | (1,219) |
| P.A. 425 taxes | 18,000 | 18,226 | 18,226 | |
| Penalties and interest | 500 | 2,604 | 2,604 | |
| Property tax administration fees | 46,500 | 38,626 | 32,263 | (6,363) |
| Total taxes | 454,817 | 430,974 | 423,392 | (7,582) |
| Licenses and permits | 30,000 | 20,679 | 20,679 | |
| State revenue sharing | 260,582 | 248,696 | 245,427 | (3,269) |
| Charges for services | 45,000 | 52,139 | 52,139 | |
| Interest and miscellaneous: | | | | |
| Interest: | | | | |
| Interest income | 4,000 | 5,160 | 5,415 | 255 |
| Miscellaneous: | | | | |
| Reimbursements | 5,000 | 21,632 | 20,360 | (1,272) |
| Special assessments | 8,000 | 31,893 | 8,892 | (23,001) |
| Cable franchise fees | 10,000 | 20,915 | 27,706 | 6,791 |
| Total interest and miscellaneous | 27,000 | 79,600 | 62,373 | (17,227) |
| TOTAL REVENUES | \$ 817,399 | \$ 832,088 | \$ 804,010 | \$ (28,078) |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance- favorable (unfavorable)</u> |
|-----------------------------|----------------------------|-------------------------|---------------|--|
| EXPENDITURES: | | | | |
| Legislative: | | | | |
| Township board: | | | | |
| Salaries | \$ 8,461 | \$ 8,108 | \$ 8,108 | \$ |
| Office supplies | 2,500 | 2,828 | 2,828 | |
| Operating supplies | 600 | 719 | 719 | |
| Audit services | 6,000 | 13,584 | 13,584 | |
| Legal services | 20,000 | 28,050 | 28,050 | |
| Other professional services | 10,000 | 11,919 | 11,919 | |
| Dues and membership | 3,000 | 2,706 | 2,706 | |
| Printing and publishing | 6,800 | 3,260 | 3,260 | |
| Other | 20,000 | 22,022 | 22,658 | (636) |
| Total legislative | <u>77,361</u> | <u>93,196</u> | <u>93,832</u> | <u>(636)</u> |
| General government: | | | | |
| Township supervisor: | | | | |
| Salaries | <u>12,242</u> | <u>12,242</u> | <u>12,242</u> | |
| Total township supervisor | <u>12,242</u> | <u>12,242</u> | <u>12,242</u> | |
| Elections: | | | | |
| Salaries | 3,500 | 3,820 | 3,820 | |
| Printing and publishing | 1,000 | 729 | 729 | |
| Other | <u>1,000</u> | <u>2,340</u> | <u>2,340</u> | |
| Total elections | <u>5,500</u> | <u>6,889</u> | <u>6,889</u> | |
| Assessor: | | | | |
| Salaries | 20,025 | 20,245 | 20,245 | |
| Other | <u>500</u> | <u>110</u> | <u>110</u> | |
| Total assessor | <u>20,525</u> | <u>20,355</u> | <u>20,355</u> | |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | Original Budget | Final Budget | Actual | Variance- favorable (unfavorable) |
|----------------------------------|--------------------|-----------------|-----------|---|
| EXPENDITURES (Continued): | | | | |
| General government (Concluded): | | | | |
| Clerk: | | | | |
| Salaries | \$ 21,000 | \$ 21,000 | \$ 21,000 | \$ |
| Deputy salaries | 800 | 136 | 136 | |
| Other | 200 | 230 | 230 | |
| Total clerk | 22,000 | 21,366 | 21,366 | |
| Board of review: | | | | |
| Salaries | 1,050 | 1,050 | 1,050 | |
| Printing and publishing | 125 | 115 | 115 | |
| Total board of review | 1,175 | 1,165 | 1,165 | |
| Treasurer: | | | | |
| Salaries | 25,000 | 25,000 | 25,000 | |
| Deputy salaries | 1,000 | | | |
| Office supplies | | 124 | 124 | |
| Other | 150 | 587 | 587 | |
| Total treasurer | 26,150 | 25,711 | 25,711 | |
| Hall and grounds: | | | | |
| Utilities | 8,000 | 7,952 | 7,952 | |
| Repairs and maintenance | 200 | 695 | 695 | |
| Other | | 3,612 | 5,573 | (1,961) |
| Total hall and grounds | 8,200 | 12,259 | 14,220 | (1,961) |
| Cemetery: | | | | |
| Salaries | 9,000 | 10,360 | 10,360 | |
| Deputy salaries | | 3,348 | 3,348 | |
| Supplies | 700 | 731 | 731 | |
| Repairs and maintenance | 10,000 | 2,676 | 2,676 | |
| Other | 3,000 | 3,678 | 4,008 | (330) |
| Total cemetery | 22,700 | 20,793 | 21,123 | (330) |
| Total general government | 118,492 | 120,780 | 123,071 | (2,291) |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | Original Budget | Final Budget | Actual | Variance- favorable (unfavorable) |
|----------------------------------|--------------------|-----------------|------------|---|
| EXPENDITURES (Continued): | | | | |
| Public safety: | | | | |
| Fire: | | | | |
| Contracted services | \$ 243,000 | \$ 235,875 | \$ 235,875 | \$ |
| Building inspections: | | | | |
| Salaries | 21,000 | 21,884 | 21,884 | |
| MEP inspections | 28,000 | 33,377 | 33,377 | |
| Printing and publishing | | 230 | 230 | |
| Other | 2,800 | 1,103 | 1,103 | |
| Total building inspections | 51,800 | 56,594 | 56,594 | |
| Zoning board: | | | | |
| Salaries | 21,000 | 21,884 | 21,884 | |
| Board salaries | 3,390 | 1,995 | 1,995 | |
| Printing and publishing | 1,000 | 572 | 572 | |
| Other | 200 | 1,471 | 1,471 | |
| Total zoning board | 25,590 | 25,922 | 25,922 | |
| Total public safety | 320,390 | 318,391 | 318,391 | |
| Public works: | | | | |
| Highways and streets: | | | | |
| Contracted services | 100,000 | 11,410 | 17,555 | (6,145) |
| Public utilities: | | | | |
| Utilities | 15,000 | 12,324 | 13,368 | (1,044) |
| Total public works | 115,000 | 23,734 | 30,923 | (7,189) |
| Other functions: | | | | |
| Medicare and social security | | 11,235 | 11,271 | (36) |
| Insurance and bonds | 4,000 | 16,756 | 16,756 | |
| Bank service charges | | 612 | 612 | |
| Other | | 205 | 205 | |
| Total other functions | 4,000 | 28,808 | 28,844 | (36) |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | Original Budget | Final Budget | Actual | Variance- favorable (unfavorable) |
|-----------------------------------|--------------------|------------------|----------------|---|
| EXPENDITURES (Concluded): | | | | |
| Debt service: | | | | |
| Drains at large principal | \$ 24,147 | \$ 24,147 | \$ 24,147 | \$ |
| Mortgage principal | 43,483 | 22,541 | 22,541 | |
| Total principal | 67,630 | 46,688 | 46,688 | |
| Drains at large interest | 13,767 | 13,767 | 13,767 | |
| Mortgage interest | 15,888 | 15,888 | 15,888 | |
| Total interest | 29,655 | 29,655 | 29,655 | |
| Total debt service | 97,285 | 76,343 | 76,343 | |
| Capital outlay: | | | | |
| Legislative | 2,000 | 2,806 | 2,249 | 557 |
| Hall and grounds | 75,000 | 77,061 | 63,385 | 13,676 |
| Cemetery | 2,500 | 1,808 | 1,478 | 330 |
| Total capital outlay | 79,500 | 81,675 | 67,112 | 14,563 |
| TOTAL EXPENDITURES | 812,028 | 742,927 | 738,516 | 4,411 |
| NET CHANGE IN FUND BALANCE | \$ 5,371 | \$ 89,161 | 65,494 | \$ (23,667) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 362,651 | |
| End of year | | | \$ 428,145 | |

ADDITIONAL INFORMATION

**ONEIDA CHARTER TOWNSHIP
GENERAL FUND COUNTY OF EATON MICHIGAN
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003**

| | <u>2004</u> | <u>2003</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| ASSETS: | | |
| Cash | \$ 170,523 | \$ 28,944 |
| Investments | 207,817 | 297,766 |
| Receivables: | | |
| Taxes-current and delinquent | 172,212 | 253,663 |
| Special assessments | 3,297 | 5,611 |
| Taxes - current and delinquent | 12,202 | |
| Due from other funds | 264,077 | 155,118 |
| Due from other governmental units | <u>41,245</u> | <u>44,514</u> |
| TOTAL ASSETS | <u><u>\$ 871,373</u></u> | <u><u>\$ 785,616</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES: | | |
| Accounts payable | 7,189 | \$ 11,715 |
| Deferred revenue | <u>436,039</u> | <u>411,250</u> |
| TOTAL LIABILITIES | 443,228 | 422,965 |
| FUND BALANCE: | | |
| Unreserved, undesignated | <u>428,145</u> | <u>362,651</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 871,373</u></u> | <u><u>\$ 785,616</u></u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | <u>2004</u> | <u>2003</u> |
|--|--------------------------|--------------------------|
| REVENUE: | | |
| Taxes | \$ 423,392 | \$ 408,478 |
| Licenses and permits | 20,679 | 26,226 |
| State revenue sharing | 245,427 | 263,661 |
| Charges for services | 52,139 | 56,952 |
| Taxes - current and delinquent | <u>62,373</u> | <u>20,564</u> |
| Total revenues | <u>804,010</u> | <u>775,881</u> |
| EXPENDITURES: | | |
| Legislative | 93,832 | 79,560 |
| General government | 123,071 | 105,989 |
| Public safety | 318,391 | 351,900 |
| Public works | 30,923 | 23,171 |
| Other functions | 28,844 | 26,548 |
| Debt service: | | |
| Principal repayment | 48,545 | 61,981 |
| Interest expense | 27,798 | 9,145 |
| Capital outlay | <u>67,112</u> | <u>676,064</u> |
| Total expenditures | 738,516 | 1,334,358 |
| OTHER FINANCING SOURCES | | |
| Loan proceeds | | <u>500,000</u> |
| Net change in fund balance | 65,494 | (58,477) |
| FUND BALANCE, beginning of year | <u>362,651</u> | <u>421,128</u> |
| FUND BALANCE, end of year | <u><u>\$ 428,145</u></u> | <u><u>\$ 362,651</u></u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
SCHEDULE OF INSTALLMENT NOTE PAYABLE
YEAR ENDED DECEMBER 31, 2004**

| <u>Year</u> | <u>Building note</u> |
|---------------|--------------------------|
| 2005 | \$ 59,372 |
| 2006 | 59,372 |
| 2007 | 59,372 |
| 2008 | 59,372 |
| 2009 | 59,372 |
| 2009 | 59,372 |
| 2010 | 59,372 |
| 2011 | 59,372 |
| 2012 | <u>30,604</u> |
| | 505,580 |
| Less interest | <u>69,605</u> |
| | <u><u>\$ 435,975</u></u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
SCHEDULE OF GENERAL ASSESSMENT PAYABLE
DECEMBER 31, 2004**

| <u>Year</u> | <u>Star Tile</u> | <u>Waldo & Branches</u> | <u>Property #458</u> | <u>Total</u> |
|---------------|------------------|---------------------------------|--------------------------|-------------------|
| 2005 | \$ 1,434 | \$ 34,983 | \$ 3,124 | \$ 39,541 |
| 2006 | 1,367 | 33,671 | 2,975 | 38,013 |
| 2007 | | 32,360 | | 32,360 |
| 2008 | | 31,047 | | 31,047 |
| 2009 | | 29,736 | | 29,736 |
| 2010 | | 28,424 | | 28,424 |
| 2011 | | 27,112 | | 27,112 |
| 2012 | | 25,800 | | 25,800 |
| 2013 | | 24,488 | | 24,488 |
| 2014 | | 23,176 | | 23,176 |
| | 2,801 | 290,797 | 6,099 | 299,697 |
| Less interest | 201 | 72,153 | 429 | 72,783 |
| | <u>\$ 2,600</u> | <u>\$ 218,644</u> | <u>\$ 5,670</u> | <u>\$ 226,914</u> |

Note: Drains at large consists of drains installed by Eaton County Drain Commission in which the State of Michigan, homeowner, Oneida Township, and the Eaton County Drain Commission share the cost of installment. Oneida Township is assessed yearly for their share of the cost plus interest on the outstanding balance. Interest rates charged to the different projects range from 3.0% to 13.5%.

ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUND
DEBT SERVICE FUND
DECEMBER 31, 2004 AND 2003

| | <u>2004</u> | <u>2003</u> |
|-----------------------------------|-------------|------------------|
| ASSETS | | |
| ASSETS: | | |
| Cash | \$ | \$ 1 |
| Investments | | 57,203 |
| Receivables: | | |
| Special assessments | | 23,046 |
| Interest | | 2,077 |
| Due from other governmental units | | 5,940 |
| TOTAL ASSETS | <u>\$</u> | <u>\$ 88,267</u> |
| FUND BALANCE | | |
| FUND BALANCE: | | |
| Reserved for debt retirement | <u>\$</u> | <u>\$ 88,267</u> |

ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND
DEBT SERVICE FUND
YEARS ENDED DECEMBER 31, 2004 AND 2003

| | <u>2004</u> | <u>2003</u> |
|-----------------------------------|---------------|------------------|
| REVENUE: | | |
| Special assessment | \$ | \$ 24,486 |
| Investment income | | 2,666 |
| | | <u>27,152</u> |
| Total revenue | | |
| EXPENDITURES: | | |
| Debt service: | | |
| Principal repayment | 85,942 | 50,000 |
| Interest expense | 2,325 | 6,423 |
| | | <u>56,423</u> |
| Total expenditures | <u>88,267</u> | |
| Net change in fund balance | (88,267) | (29,271) |
| FUND BALANCE: | | |
| Beginning of year | <u>88,267</u> | <u>117,538</u> |
| End of year | <u>\$</u> | <u>\$ 88,267</u> |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2004**

TAX COLLECTION FUND

| | Balance January 1, 2004 | Additions | Adjustments and payments | Balance December 31, 2004 |
|--------------------------|-------------------------------|--------------|-----------------------------|---------------------------------|
| ASSETS | | | | |
| Cash | \$ 817,207 | \$ 4,672,160 | \$ 3,510,093 | \$ 1,979,274 |
| LIABILITIES | | | | |
| Due to county | \$ 214,677 | \$ 1,063,556 | \$ 675,538 | \$ 602,695 |
| Due to schools | 394,824 | 2,231,499 | 1,610,194 | 1,016,129 |
| Due to State of Michigan | 22,068 | 691,713 | 705,525 | 8,256 |
| Due to libraries | 30,521 | 128,683 | 77,384 | 81,820 |
| Due to others | | 20,198 | 13,901 | 6,297 |
| Due to general fund | 155,117 | 536,511 | 427,551 | 264,077 |
| | \$ 817,207 | \$ 4,672,160 | \$ 3,510,093 | \$ 1,979,274 |

**ONEIDA CHARTER TOWNSHIP
COUNTY OF EATON MICHIGAN
AGENCY FUNDS
CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2004**

Balance January 1, 2004 \$ 817,207

Receipts:

| | |
|-------------------------------|---------------|
| Current taxes and assessments | \$ 4,597,858 |
| Delinquent taxes | 16,950 |
| Administration fees | 32,263 |
| Dog licenses | 1,567 |
| Interest and penalties | 2,604 |
| Overpaid taxes | <u>20,918</u> |

Total receipts 4,672,160

Disbursements:

| | |
|----------------------------|----------------|
| Eaton County | 675,538 |
| Grand Ledge Schools | 686,976 |
| Charlotte Schools | 21,939 |
| Strange School | 186,305 |
| Portland Schools | 340 |
| Potterville Schools | 247 |
| Lansing Community College | 337,429 |
| Eaton Intermediate Schools | 376,958 |
| General Fund | 427,551 |
| Grand Ledge Library | 77,384 |
| Refund taxes | 13,901 |
| State of Michigan | <u>705,525</u> |

Total disbursements 3,510,093

Balance December 31, 2004 \$ 1,979,274



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

April 26, 2005

To the Board of Trustees
Oneida Charter Township
Grand Ledge, Michigan

In planning and performing our audit of the financial statements of Oneida Charter Township for the year ended December 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated April 26, 2005, on the financial statements of Oneida Charter Township.

PRIOR YEAR COMMENTS - RESOLVED

Segregation of Duties

Our recommendation was to have someone independent of the cash system receive the unopened bank statement. We are pleased to announce the unopened bank statement is routed to an individual independent of the cash system. This person reviews the cancelled checks or other transactions for unusual items before giving them to accounting to perform the reconciliation.

Monthly Financial Reports

Our recommendation was to have to Township utilize the State Chart of Accounts. We are pleased to announce the State Chart of Accounts is being used.

Establish a Fixed Asset Capitalization Policy

We recommended the Township establish a capitalization policy. We are pleased to announce the Township currently capitalizes all purchases over \$1,000.

Segregate Cash Receipts Duties

We recommended deposit slips be compared to the initial listing of daily receipts on a test basis to ensure completeness of deposits. We are pleased to announce this control is being practiced.

Government Accounting Standards Board (GASB) Statement #34 Implementation

We recommended the Township plan the implementation of GASB #34. We are pleased to announce the Township completed the GASB #34 statements.

Insurance Coverage

We recommended the Township review the adequacy of insurance coverage during the course of the year. The township currently reviews the insurance coverage and adjusts the coverage accordingly annually.

PRIOR YEAR COMMENTS - UNRESOLVED

Reconcile Bank Accounts on a Timely Basis

We recommended the Township reconcile bank accounts monthly. Although bank accounts are reconciled more timely, procedures can be improved. See current year comment below.

Accounting Manual

The township is currently in the process of developing an accounting manual. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should employees have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing.

We recommend that operating guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice paying, maintenance of accounts receivable and accounts payable, and payroll procedures. In addition, an expense allocation methodology should also be incorporated into the accounting manual.

CURRENT YEAR COMMENTS

Cancel Invoices Being Paid

During our audit, we noted check stubs are stapled to the invoice being paid as evidence of payment. We believe that controls over cash disbursements could be improved if the check signer properly defaced the invoice by writing / stamping / indicating the date paid, check number, etc. on the invoice. This procedure will help prevent unauthorized payment of invoices or invoices from being paid twice. We noted no instances where invoices were paid twice.

Improve Cash Disbursement Oversight

Board members receive a "list of bills" at monthly board meetings. The list of bills indicates disbursement items that have been/are to be paid along with corresponding check numbers. We recommend the Board maintain a listing of checks presented and inquire of any skip in check sequence. In addition, the Board is presented with a check register prepared by individuals in Excel, not the computer system in which the checks are written. See comment below.

Fully Integrate QuickBooks in the Accounting Department

During the year, the Township integrated QuickBooks as the general ledger system, which is a significant improvement from the prior year. However, we recommend fully integrating QuickBooks in the accounting department.

The old system (Quicken) is still being used for certain functions. This has caused entries to be entered twice by two different individuals and bank reconciliations have not been prepared as of the end of the month to coincide with the bank statement, to name a few. QuickBooks has the ability for multiple users, which will allow the following:

- Bank reconciliations can be prepared as of the end of the month in the program in which the checks are written;
- Check registers presented to the Board can be attained from the system in which the checks are written;
- Reduce the double entry into both systems.

The above mentioned items are just a few examples how linking QuickBooks between users can be beneficial. This will provide more reliable and timely data, as well as, reduce time spent in the accounting department.

It should be noted while linking QuickBooks between users, steps should be taken to protect the data from unauthorized use. For example, some users may not need access to sensitive payroll data, while others may not need access to accounts receivable and sales information.

Government Accounting Standards Board (GASB) Statement #40 "Deposit and Investment Disclosures"

Effective December 31, 2005, governmental entities will be required to expand their current disclosure requirements addressing common risks of the deposits and investments. The disclosure requirements apply to debt and an equity investment held directly by the entity or indirectly by investment advisors and requires that a governmental entity disclose investment policies that are related to custodial credit risk, custodial risk, concentration of credit risk, interest rate risk and foreign currency risk. If the entity has adopted no policy with respect to a particular risk, that fact should be part of the disclosure.

To the Board of Trustees
Oneida Charter Township
Grand Ledge, Michigan

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April 26, 2005

The Township should review its investment policies to determine all common risk areas are identified and the appropriate level of risk of each area is quantified.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Oneida Charter Township, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Manu Costenisan, E. Ellis, P.C.